

GAO

Report to the Secretary of Education

April 1992

DEPARTMENT OF EDUCATION

Management Commitment Needed To Improve Information Resources Management



19950217 081

Information Management and
Technology Division

B-246456

April 20, 1992

The Honorable Lamar Alexander
The Secretary of Education

Dear Mr. Secretary:

This report presents the results of our review of the Department of Education's information resources management (IRM) and is a part of our general management review of the Department. Our objective was to determine how effectively the Department plans for and manages its information resources in supporting its mission and administering its programs. In particular, we focused on the Department's strategic IRM planning process. See appendix I for our objective, scope, and methodology.

The Department has not established an effective IRM program and lacks key management and program information with which to effectively oversee its operations. The Department's senior IRM officials have not been involved in strategic IRM planning, and they failed to (1) establish a vision of how information technology can support the Department's mission and information needs and (2) initiate an agencywide information planning process that identifies the information needs of various departmental programs.

Until such deficiencies are resolved, it will be difficult, if not impossible, for the Department of Education and the Congress to effectively gauge the success of this nation's educational programs and develop sound policies—based on reliable data—to resolve the nation's education crisis. For example, in the \$12 billion-a-year Stafford Student Loan Program, the data that program managers have are incomplete or inaccurate and, therefore, are inadequate for management purposes. Thus, the guaranty agencies and lenders are unable to identify students who default on loans and then receive new loans, a practice that costs the government millions of dollars in interest subsidies.

During our general management review we have been working with your office to improve the Department's operations. Top management commitment to information technology will be an essential part of this improvement effort. As a first step, the Department needs to develop a strategic IRM plan that identifies the goals, direction, and information

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Results in Brief

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GAO/IMTEC-92-17 Department of Education IRM

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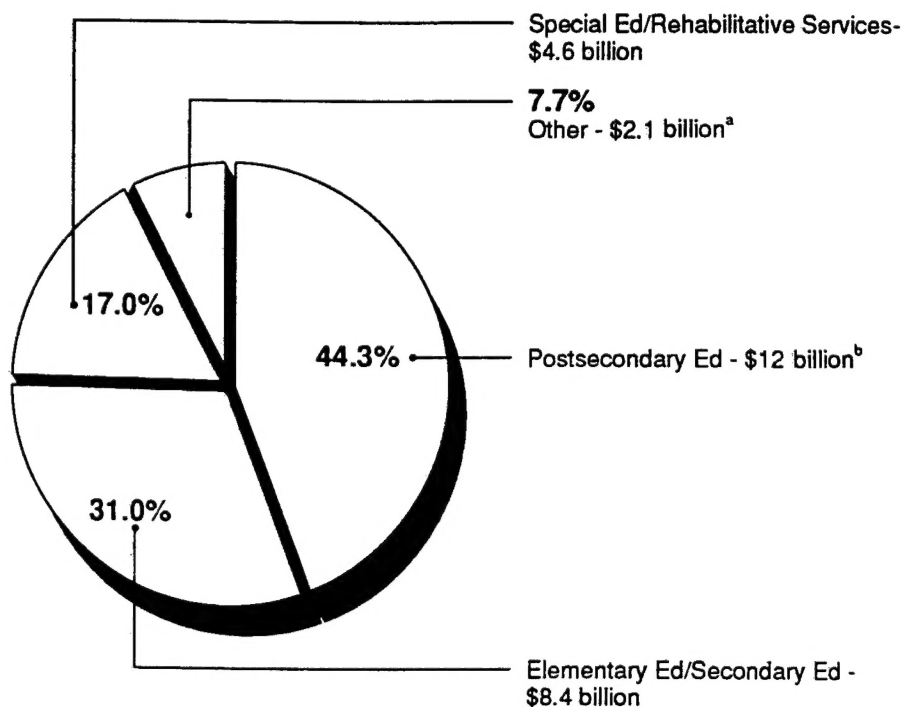
needed to meet its mission and set priorities. This plan should be integrated into a secretarial-level strategic management process with the full participation of the Department's Chief Financial Officer (CFO).

Background

The Department of Education administers nearly 200 separate programs and provides federal funds to states and localities for programs designed to educate disadvantaged children, help the disabled, and finance the higher education of young Americans. Between 1980 and 1991, the Department's budget increased from \$15 billion to \$27 billion annually. The Department's staff of about 5,000 are organized into 13 headquarters offices and 10 regional offices.

As figure 1 shows, 3 of the 13 headquarters offices accounted for approximately 92 percent of the Department's fiscal year 1991 budget. They are the Office of Special Education and Rehabilitative Services (Special Ed and Rehabilitative Services); Office of Elementary and Secondary Education (Elementary and Secondary Ed); and the Office of Postsecondary Education (Postsecondary Ed). Each of them plays a specific role in carrying out the Department's mission.

Figure 1: The Department of Education's Fiscal Year 1991 Budget by Major Program Area



^aIncludes funding for Educational Excellence, Bilingual Education and Minority Language Affairs, Vocational and Adult Education, Educational Research and Improvement, Civil Rights, Inspector General, Program Administration, and Receipts.

^bStafford Student Loans default claims for FY 1991 were about \$2.7 billion, approximately 23% of Postsecondary Ed's 1991 program budget.

Special Ed and Rehabilitative Services administers programs that help educate children with special needs and supports research to improve the lives of the disabled. In fiscal year 1991, Special Ed and Rehabilitative Services provided about \$4.6 billion for programs that served approximately 4.4 million youth and more than 930,000 adults. The Rehabilitation Services Administration, a unit within Special Ed and Rehabilitative Services, provides grants to support (1) vocational rehabilitation services to handicapped migratory and seasonal farmworkers, and members of Indian tribes; and (2) industrial work projects for disabled persons.

Elementary and Secondary Ed provided approximately \$8.4 billion in fiscal year 1991 to state and local educational agencies to improve the achievement of elementary and secondary students. Most funds

appropriated to Elementary and Secondary Ed are transferred to state agencies for distribution to local programs. Once programs are under way, Elementary and Secondary Ed is responsible for evaluating their accomplishments.

Postsecondary Ed oversees the administration of higher education and student financial assistance programs (loans, grants, and other campus-based programs) authorized under Title IV of the Higher Education Act of 1965, as amended. Through loan guaranty agencies, lenders, and postsecondary educational institutions, the Department provides about \$12 billion to approximately 4 million students. It also identifies and helps disadvantaged students prepare for postsecondary educational programs.

To support its mission during fiscal year 1991, the Department spent about \$92 million on information technology. About \$66.8 million, or 73 percent of this, was for the purchase of commercial services. These services included operations and maintenance of computer systems and voice and data communications. The next largest expenditure was \$8.6 million, or about 9 percent, for personnel. Capital investments totalled \$7.1 million.

As a part of our general management review of the Department, we are working with your office and other departmental officials to improve operations at the Department. In an earlier report, we observed that an effective management system had not been established for the Department.¹ At that time we recommended that the Department develop a secretarial management system that included setting major goals and priorities, monitoring progress against these goals, and providing feedback to senior agency managers. Recently, we have been encouraging you to develop a process for linking strategic initiatives to the Department's mission and addressing chronic operational problems. As this process continues, the role of IRM planning is critical.

Department Lacks Effective Strategic IRM Planning

The Paperwork Reduction Act of 1980, as amended, requires all federal agencies to designate a senior official for information resources management; the senior IRM official reports directly to the head of the agency. The senior IRM official should (1) implement guidelines to ensure effective management of information resources in support of the agency's mission and objectives, (2) ensure compliance with federal regulations and legislative requirements, and (3) prepare and annually revise a 5-year

¹Education Issues (GAO/OCG-89-18TR, November 1988).

plan for meeting the agency's information technology needs. The Department's previous senior IRM officials failed to establish a vision for the use of information technology or an effective IRM planning process to meet departmentwide needs.

Lack of Management Continuity Has Hampered Development of a Strategic IRM Vision

The Assistant Secretary for the Office of Human Resources and Administration is the Department's senior IRM official. The Assistant Secretary delegated information technology planning to the Director of the Office of Information Resources Management (OIRM), who is responsible for (1) reviewing and approving each office's 5-year IRM plan and (2) preparing the departmentwide 5-year IRM plan as required by federal regulations. Together, these two officials are responsible for defining the Department's information technology vision and preparing the agency's strategic IRM plan. They are also responsible for ensuring that the ongoing and proposed system development projects fall logically within this plan.

From 1986 to 1991, however, there was frequent turnover among these key IRM officials. Seven different people held the Assistant Secretary position since 1986—four in an acting capacity. Similar leadership instability occurred at the OIRM director level. There were five directors since 1986; in one year—from February 1990 to February 1991—there were three acting directors.

This lack of continuity in top IRM management has left the Department without a clear vision of how it can best use information technology to meet its mission. As we have noted elsewhere, vision and direction from top management are essential first steps in the management of information technology.² Without such a vision, information technology efforts tend to degenerate into loose collections of independent systems that focus on the needs of individual units in the organization. The net result is that the systems do not meet either the organization's or the public's needs. The effect of the Department's failure to develop this top-level vision is especially evident in the shortcomings of its efforts in IRM planning.

²Meeting the Government's Technology Challenge: Results of A GAO Symposium, (GAO/IMTEC-90-23, Feb. 1990). This symposium provided a forum that brought together top-level executives responsible for implementing IRM programs to explore better ways of using information technology.

The Department Has Not Followed Federal Guidance on Strategic IRM Planning

A strategic IRM plan provides the mechanism to set and evaluate priorities and specify how an agency's information technology will support its mission. The critical importance of effective IRM planning is highlighted in federal law and regulation. Guidance from the Office of Management and Budget provides that agencies shall "establish multi-year strategic planning processes for acquiring and operating information technology that meet program and mission needs, reflect budget constraints, and form the basis for their budget request."³ In addition, the Paperwork Reduction Act, as amended, requires each agency to prepare and annually revise a 5-year plan for meeting its information technology needs. Other federal guidance on automatic data processing and telecommunications strategic planning states that agencies' strategic automation plans should (1) identify the agency's mission, (2) relate each automation program objective to the agency's mission and state the objective in measurable terms, (3) provide guidance for setting automation priorities, and (4) state the agency's strategic automation direction.⁴

The Department has failed to follow this guidance in several respects. One of the primary purposes of the Department's Information Technology Planning Guide, its 5-year strategic IRM plan, is to present strategies and initiatives for the Department's information resources for the next 5 years and guide program offices in developing their individual strategic IRM plans. However, the Department's strategic IRM plans for fiscal years 1987, 1988, and 1989⁵ did not (1) identify the Department's mission or the program objectives, information and resources, or IRM goals necessary to support the mission; (2) prioritize automation activities; (3) include measures to judge whether improvements occurred during the period; (4) discuss the resource requirements and costs involved in the initiatives; and (5) link the activities to program or agency management areas.

The Department's directive for planning provides guidance and instructions to the program offices on preparing and submitting their

³Office of Management and Budget Circular A-130, Management of Federal Information Resources (Dec. 12, 1985).

⁴A Five-Year Plan for Meeting the Automatic Data Processing and Telecommunications Needs of the Federal Government, Volume 1: Planning Strategies, Office of Management and Budget, U.S. General Services Administration, and U.S. Department of Commerce (Apr. 1984).

⁵The plan for 1990 was never developed and the 1991 plan is currently being drafted.

strategic IRM plans.⁶ The directive states that each program office's plan should include the office's mission and program's objectives. However, there is no guidance or instructions to OIRM on preparing the Department's 5-year plans or consolidating program offices' missions into one concise departmental mission. Consequently, the Department's IRM planning takes place at individual program levels and does not take into account departmentwide information needs.

Because strategic IRM planning does not take place on a departmentwide basis, critical decision-making information is often not shared. For example, managers who oversee the Perkins Loan Program (a campus-based loan program) are not able to provide information to schools on applicants who are attempting to obtain Perkins Loans and have defaulted on Stafford Student Loans, or vice versa. Federal regulations⁷ provide that students who have defaulted on student loans are not eligible for another. Without an adequate departmentwide strategic IRM plan, attempts to share information and resolve overall departmental information needs are difficult to accomplish.

IRM planning should be integrated into a secretarial-level strategic management process.⁸ This would integrate IRM planning departmentwide with financial planning, program planning, policy planning, budgeting, and contracting. Under the CFO Act of 1990,⁹ the Department must consolidate responsibility for all financial information systems. This would help eliminate problems arising from its various components autonomously developing and operating financial information systems.

Managers Lack Information to Administer Their Programs

Managers require accurate and timely information to accomplish the Department's mission and their program objectives. However, in three of the Department's largest offices (Special Ed and Rehabilitative Services, Elementary and Secondary Ed, and Postsecondary Ed), managers do not have the basic information they need to manage and monitor their programs effectively.

⁶Strategic Planning for Information Technology, Departmental Directive—E:IRM:1-100, U.S. Education Department (June 8, 1989).

⁷34 C.F.R. section 668.7(a)(7) (1991).

⁸The creation of a strategic management process was discussed in a briefing with you by our general management review team in July 1991 and was the subject of a management letter to you dated August 20, 1991.

⁹Section 902 (a)(5) of Public Law 101-576, Nov. 15, 1990.

This situation is occurring for a number of reasons. In some cases, much of the information needed is available from state agencies that implement the Department's programs, but the Department, particularly Special Ed and Rehabilitative Services and Elementary and Secondary Ed, is either not requiring the states to provide the needed information or does not receive the information in a timely manner. In addition, the lack of a departmentwide IRM planning process based on the Department's mission, program objectives, and information needs has contributed to program managers not having all the information they need. Following are a number of examples where the Department is having information problems.

Special Education and Rehabilitative Services

Officials in Special Ed and Rehabilitative Services' Rehabilitative Services Administration said that they do not have all the information needed to effectively manage and monitor their programs. Specifically, the officials do not have such basic information as (1) whether and to what degree persons with disabilities have received rehabilitation services and how frequently state rehabilitation agencies are involved in delivering such services and (2) the percentage of mentally retarded persons in the U.S. that are being helped through its programs. For other programs,¹⁰ officials do not know (1) the total number of people participating in these programs, (2) the types of services provided by the grant recipients, and (3) the number of individuals needing these services nationwide.

The Commissioner of the Rehabilitative Services Administration stated that, although it is not required by law, the administration needs to obtain this type of information from state agencies or grantees in order to oversee these programs effectively. The official also stated that as a result of not having all the information needed, the administration cannot measure performance or ascertain what impact, if any, the programs have had, or where program changes should be made. The administration, however, is in the process of drafting regulations that, upon approval from the Office of Management and Budget, would direct grantees to submit additional basic information.

Elementary and Secondary Education

Elementary and Secondary Ed, the principal unit for providing funding to states and localities for preschool, elementary, and secondary education programs, lacks timely information. We previously reported that the

¹⁰American Indians, Independent Living Services for Older Blind Individuals, Special Recreation, and Migrants and Seasonal Farmworkers.

Department has generally failed to supply the leadership needed to assure the availability of nationwide Elementary and Secondary Ed data.¹¹ These data are needed to gauge the success of these programs. In our reviews of departmental programs, we have repeatedly found old and incomplete data and inconsistent definitions that make state-to-state comparisons extremely difficult.

Elementary and Secondary Ed's primary program, Chapter 1, is the major federal program supporting the educationally disadvantaged. For the 1991-1992 school year, Chapter 1 provided approximately \$6 billion in financial assistance to state and local education agencies to meet the needs of about 5 million youth.

Chapter 1 officials said that states do not provide timely information needed to effectively monitor the program, plan for future expenditures, or justify annual budget requests. As a result, when the Congress asks questions about (1) the number of eligible schools and children served; (2) the number of local education agencies monitored by state education agencies each year; and (3) state allocation of basic grants, concentration grants, program improvement funds, and capital expenses to local education agencies, Chapter 1 officials base their answers on data that are approximately 2 years old. Contributing to this delay is a data collection process that, for the most part, is manual.

Postsecondary Education

Information problems also exist in Postsecondary Ed—the office that oversees student financial assistance. According to Postsecondary Ed officials, the major problem is data quality. Specifically, officials noted that the loan data received from guaranty agencies are often inaccurate and incomplete. Postsecondary Ed documents showed that data shortcomings have hampered the office's ability to manage and monitor student loan programs and collections, other higher education programs, and loan defaults. In addition, due to a lack of both data sharing among program offices and integrated systems that can support multiple programs, Postsecondary Ed cannot properly manage its student loan offices. As discussed earlier, managers who oversee the Perkins Loan Program are not able to provide information to schools on applicants who are attempting to obtain Perkins Loans and have defaulted on Stafford Student Loans, or vice versa.

¹¹GAO/OCG-89-18TR, November 1988.

We previously reported that the data base for the Stafford Student Loan Program has missing, incomplete, and inaccurate data.¹² As a result, Postsecondary Ed cannot provide information to guaranty agencies for use in identifying defaulters who obtain new loans and borrowers who obtain loans above legal limits.¹³ Our report showed that about 32,000 students had defaulted on loans totaling over \$54 million and later received new loans of over \$109 million.¹⁴

In April 1991, the Office of Management and Budget, along with the Department, released a task force study on the management of the Stafford program.¹⁵ The study generally confirmed the problems we had reported and recommended that the Department (1) evaluate the data and information needed to manage and plan for the Stafford program, and provide for better systems and data for control and decision-making; (2) correct serious shortcomings in current management information systems so that data required for compliance, financial, and evaluation purposes are useful, timely, and accurate; and (3) immediately begin to establish a temporary team with responsibility for ensuring that the Department successfully carries out these recommended actions. Postsecondary Ed is being reorganized and is beginning to address these recommendations.

Conclusions

Information technology can and should play an important role in helping the Department accomplish its mission. However, the Department does not have the information it needs to effectively administer its programs and cannot evaluate whether recipient services are adequate. Unless IRM practices improve, particularly in the area of strategic IRM planning, the

¹²Stafford Student Loans: Millions of Dollars in Loans Awarded to Ineligible Borrowers (GAO/IMTEC-91-7, Dec. 12, 1990).

¹³In commenting on a draft of this report, the Department said that we did not address the development of the National Student Loan Data System (NSLDS). We are aware of the development of the NSLDS and the fact that this system was not initiated until passage of legislation enabling its use as a pre-screening device. However, because the NSLDS will not be operational until 1993, the Department needs to ensure that the information in its current data base is as accurate and complete as practical.

¹⁴The Department also said in its comments that this statement is misleading when viewed in isolation, since many of these situations could be legal if the student has made satisfactory arrangements to repay a loan. In our report, however, we stated that as a result of missing, questionable, and erroneous data, we could not accurately project the actual number of defaulted borrowers who obtained new loans. Further, because of the poor quality of data we examined, there was some question whether some students had in fact defaulted and later obtained new loans.

¹⁵Administration Adopts Plan To Reorganize Student Financial Assistance Programs, U.S. Department of Education and the Office of Management and Budget (Apr. 8, 1991).

Department will be unable to use information technology to assess the effectiveness of its programs. As the Secretary of Education begins the process of linking strategic initiatives to the Department's mission and seeks to address chronic operational problems, the strategic use of information technology needs to be considered.

Recommendations to the Secretary of Education

In order to improve the use of information technology in the Department, we recommend that you take the following actions:

- Develop a departmentwide IRM management strategy and plan that is linked to overall department goals and objectives. Such a strategy should include defining the Department's information technology vision—how technology can be applied to support the Department's mission—in partnership with the Congress, states, and others who have a role in administering educational programs.
- Direct the senior IRM official to develop, in conjunction with the Department's key operating components, an effective departmentwide information planning process that meets federal guidance. This process should include reassessing information needs program by program. Specifically, it should (1) identify who needs the information and when and why they need it; (2) determine what information the Department already has and where it resides; (3) identify how the Department can best collect the information it needs, but does not have; and (4) determine how the Department can best structure its information and systems to use the information most effectively.

Agency Comments and Our Evaluation

The Department of Education provided written comments on a draft of this report. Their comments are summarized below, reproduced in appendix II, and incorporated into the report as appropriate.

The Assistant Secretary for Human Resources and Administration agreed with our findings and noted that the Department has begun to act on our recommendations. The Department's OIRM recently began drafting a departmental IRM strategic plan, which begins with the mission and goals of the Department; presents a vision of successful IRM for the Department; and identifies specific IRM goals, strategies, and activities for attaining that vision. The objective of the plan is to ensure that all IRM activities relate directly to major goals supporting the mission of the Department and the National Goals for Education. The estimated date for final approval of this plan is May 1992. We believe that OIRM should develop this plan in

partnership with the Department's key operating components and others who have a role in administering educational programs.

The Department's response noted that on January 13, 1992, a Departmental Information Management Committee was created to address information management issues and concerns in the Department. The committee is composed of representatives from each of the Department's principal offices. The Department plans to expand the committee's mission to specifically incorporate our recommendations.

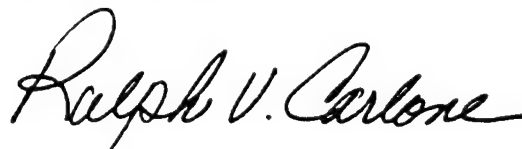
In its response the Department also noted that we did not address the development of the National Student Loan Data System and expressed concern that information on students who had defaulted and later received new loans was misleading. These matters are discussed on pages 10 and 11.

We conducted our review between December 1990 and January 1992, in accordance with generally accepted government auditing standards.

As you know, the head of a federal agency is required by 31 U.S.C. 720 to submit a written statement on actions taken on our recommendations to the Senate Committee on Governmental Affairs and the House Committee on Government Operations not later than 60 days after the date of this letter. A written statement must also be submitted to the House and Senate Committees on Appropriations with the agency's first request for appropriations made more than 60 days after the date of this letter.

We are providing copies of this report to interested members of the Congress, executive branch agencies, and the public. We will also make copies available to others upon request. This work was performed under the direction of Frank W. Reilly, Director, Human Resources Information Systems, who can be reached at (202) 336-6408. Other major contributors are listed in appendix III.

Sincerely yours,

A handwritten signature in black ink that reads "Ralph V. Carlone". The signature is written in a cursive style with a large, stylized "R" and "C".

Ralph V. Carlone
Assistant Comptroller General

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Abbreviations

CFO	chief financial officer
GAO	General Accounting Office
IMTEC	Information Management and Technology Division
IRM	information resources management
NSLDS	National Student Loan Data System
OIRM	Office of Information Resources Management

Objective, Scope, and Methodology

The objective of our review was to determine how effectively the Department plans for and manages its information resources in supporting its mission and administering its programs. We focused on the Department's strategic IRM planning process. To ascertain whether managers were obtaining necessary information, we met with program officials from the Office of Postsecondary Education, the Office of Elementary and Secondary Education, and the Office of Special Education and Rehabilitative Services. We concentrated our review on these three principal offices because, collectively, they made up approximately 92 percent of the Department's fiscal year 1991 program budget.

We reviewed the Department's three strategic IRM plans to see whether they comply with federal guidance. We interviewed program and IRM officials to gain an understanding of the challenges they face in planning for information technology resources, as well as managing information. Further, we met with officials from the Department's Office of Information Resources Management who collect and review offices' individual strategic IRM plans.

In addition, we met with officials from the Office of Management and Budget to discuss how the Department's strategic IRM plans are reviewed.

Our work was performed at the Department of Education headquarters in Washington, D.C. The Department of Education provided written comments on a draft of this report. These comments are presented and evaluated in the body of this report and are included in full in appendix II.

Comments From the Department of Education



UNITED STATES DEPARTMENT OF EDUCATION

OFFICE OF HUMAN RESOURCES AND ADMINISTRATION

MAR 20 1992

THE ASSISTANT SECRETARY

Mr. Ralph V. Carlone
Assistant Comptroller General
U.S. General Accounting Office
Washington, D.C. 20548

Dear Mr. Carlone:

The Department of Education (ED) welcomes the comments and two recommendations from the General Accounting Office (GAO) for improving the use of information technology in the Department as set forth in the draft report titled "Department of Education: Management Commitment Needed to Improve Information Resources Management" (GAO/IMTEC-92-17). The Department has already taken actions consistent with GAO's recommendations.

The Department concurs with the first recommendation to "Develop a Departmentwide Information Resources Management (IRM) strategy and plan that is linked to overall Department goals and objectives."

This action is already well under way. ED's Office of Information Resources Management began drafting a Departmental IRM Strategic Plan this past Fall. The IRM Strategic Plan begins with the mission and goals of the Department, presents a vision of successful information resources management for ED and identifies specific IRM goals, strategies and activities for attaining that vision. The objective of the Plan is to ensure that all IRM activities relate directly to major goals supporting the mission of the Department and the National Goals for Education.

After identifying ED's mission and the six National Goals for Education, this Strategic Plan for IRM establishes a "Vision of Successful IRM in ED." This vision enumerates nine requirements which represent the optimum management of information resources in support of ED's mission and goals. Following the vision, three major IRM goals are established and described for meeting the vision: Information Management, Quality Workplace, and Service to Citizens. In support of these three major IRM goals, nine strategies are described which ED intends to pursue in achieving its IRM goals. Strategies cover such areas as enhancing the quality of information, exploring new and emerging

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**Appendix II
Comments From the Department of
Education**

technologies, ensuring adequately trained staff, expanding electronic collection and dissemination of information, enhancing the office automation infrastructure, and ensuring consistent IRM policies and procedures. Finally, for each strategy, from three to seven specific activities are identified which will be undertaken to support each IRM strategy. ED's annual project planning and budgeting processes will require that every IRM project proposed for funding must identify the specific strategies and activities contained in the Plan which the project supports.

The Plan is currently being presented to senior staff throughout the Department for review and comment. After comments are incorporated, it will be presented to the Department's Management Audit Committee (MAC) for approval. The committee, which oversees all cross-cutting management issues in the Department, is chaired by the Deputy Secretary and its members include key Senior Officers. After approval by the MAC, the Plan will be presented to all Senior Officers.

The estimated date for final approval of the strategic plan is May 1992.

The Department also concurs with the second recommendation to "Direct the Senior IRM Official to develop, in conjunction with the Department's key operating components, an effective Departmentwide information planning process that meets federal guidance."

On January 13, 1992, a Departmental Information Management Committee (IMC) was created to address information management issues and concerns in ED. The committee is made up of representatives from each of the Department's Principal Offices and is chaired by the Department's Paperwork Clearance Official, who is the Chief of the Federal Information Review Branch. IMC's mission is to address improvements in information collection and management policy, procedures and individual collection instruments and the implementation of the Department's strategic plan.

A memorandum has been prepared for signature by the Secretary, to be issued by March 30, expanding the mission of the IMC to specifically incorporate the recommendations of this GAO review. The IMC will develop, in conjunction with the Department's key operating components, an effective Departmentwide information

planning process that meets federal guidance. This includes reassessing information needs program by program to:

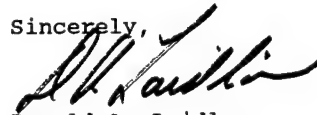
- (1) identify who needs information and when and why they need it;
- (2) determine what information the Department already has and where it resides;
- (3) identify how the Department can best collect the information it needs, but does not have; and
- (4) determine how the Department can best structure its information and systems to use the information most effectively.

Many of the information shortcomings noted by GAO in ED's program areas are being addressed. The sections in your report regarding data needs for the Guaranteed Student Loan and Perkins Loan programs do not address the development of the National Student Loan Data System; and the fact that this system was not funded and initiated until Congress enacted legislation enabling its use as a pre-screening device. This is the only way that the enormous costs of the system can be offset by meaningful financial benefits to the taxpayer. The benefits of data collection must equal or exceed the costs.

In the report, GAO states "... that about 32,000 students had defaulted on loans totaling over \$54 million and later received new loans of over \$109 million." This statement is misleading when viewed in isolation, since many of these situations could be perfectly legal. After a student has made satisfactory arrangements to repay a loan, the student is legally eligible to obtain a new loan even though the full amount of the outstanding loan still officially remains "in default."

If you have any questions regarding our response, please contact me at 401-0470.

Sincerely,



Donald A. Laidlaw

Major Contributors to This Report

Information
Management and
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Washington, D.C.

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Paula N. Denman, Evaluator-in-Charge
Matthew D. Ryan, Staff Evaluator
Teresa M. Schlee, Reports Analyst

Related GAO Products

Veterans Affairs IRM: Stronger Role Needed for Chief Information Resources Officer (GAO/IMTEC-91-51BR, July 24, 1991).

Stafford Student Loans: Millions of Dollars in Loans Awarded to Ineligible Borrowers (GAO/IMTEC-91-7, Dec. 12, 1990).

Resolution Trust Corporation: Stronger Information Technology Leadership Needed (GAO/IMTEC-90-76, July 23, 1990).

Coast Guard: Strategic Focus Needed to Improve Information Resources Management (GAO/IMTEC-90-32, Apr. 24, 1990).

Information Resources: Management Commitment Needed to Meet Information Challenges (GAO/IMTEC-90-27, Apr. 19, 1990).